

special assessments, premiums for hazard or mortgage insurance, servicing charges and costs of collection, regardless of when the payments or loan advances were made. The priority provided by this section shall apply notwithstanding any State constitution, law or regulation.

(b) *Second mortgage.* If the Secretary holds a second mortgage, it shall have a priority subordinate only to the first mortgage (and any senior liens permitted by paragraph (a) of this section).

[61 FR 49033, Sept. 17, 1996]

Subpart B—Eligibility; Endorsement

§ 206.9 Eligible mortgagees.

(a) *Statutory requirements.* (See section 255(b)(3) of NHA).

(b) *HUD approved mortgagees.* Any mortgagee authorized under paragraph (a) of this section and approved under part 202 of this chapter, except an investing mortgagee approved under § 202.16 of this chapter, is eligible to apply for insurance. A mortgagee approved under § 202.13, § 202.14, § 202.16, or § 202.17 of this chapter may purchase, hold and sell mortgages insured under this part without additional approval.

[54 FR 24833, June 9, 1989; 54 FR 32060, Aug. 4, 1989, as amended at 57 FR 58350, Dec. 9, 1992; 60 FR 42759, Aug. 16, 1995; 61 FR 36266, July 9, 1996; 61 FR 49033, Sept. 17, 1996]

§ 206.13 [Reserved]

§ 206.15 Endorsement for insurance.

Mortgages originated under this part must be endorsed through the Direct Endorsement program under § 203.5 of this chapter, except as provided in § 203.1 of this chapter. The mortgagee shall submit to the Secretary, within 60 days after the date of closing of the loan or such additional time as permitted by the Secretary, properly completed documentation and certifications as listed in § 203.255 of this chapter and the certificate received by the mortgagor from the counseling entity that the mortgagor has received counseling as required under § 206.41, a copy of the title insurance commitment satisfactory to the Secretary (or other acceptable title evidence if the

Secretary has determined not to require title insurance under § 206.45(a)), the mortgagee's election of either the assignment or shared premium option under § 206.107, and any other documentation required by the Secretary. Sections 203.255(c), (d) and (e) of this chapter, pertaining to pre-endorsement review, submission for endorsement by purchasing mortgagee, and post-endorsement review for Direct Endorsement, apply to mortgages under this part. If the mortgagee has complied with the Direct Endorsement requirements of §§ 203.3, 203.5 and 203.255 of this chapter and the requirements of this part, and the mortgage is determined to be eligible, the Secretary will endorse the mortgage for insurance by issuance of a Mortgage Insurance Certificate.

[60 FR 42759, Aug. 16, 1995]

ELIGIBLE MORTGAGES

§ 206.17 General.

(a) *Payment options.* A mortgage shall initially provide for the tenure payment option (§ 206.19(a)), the term payment option (§ 206.19(b)), or the line of credit payment option (§ 206.19(c)), or a combination as provided in § 206.25(d), subject to later change in accordance with § 206.26.

(b) *Interest rate.* A mortgage shall provide for either fixed or adjustable interest rates in accordance with § 206.21.

(c) *Shared appreciation.* A mortgage may provide for shared appreciation in accordance with § 206.23.

[54 FR 24833, June 9, 1989, as amended at 61 FR 36266, July 9, 1996]

§ 206.19 Payment options.

(a) *Term payment option.* Under the term payment option, equal monthly payments are made by the mortgagee to the mortgagor for a fixed term of months chosen by the mortgagor, unless the mortgage is prepaid in full or becomes due and payable earlier under § 206.27(c).

(b) *Tenure payment option.* Under the tenure payment option, equal monthly payments are made by the mortgagee to the mortgagor as long as the property is the principal residence of the